

Managing performance through remuneration

Philosophy

Our strategic objectives can only be delivered with the foresight, dedication and hard work of our employees. The company competes in a small talent pool for a limited set of skills in the global and South African mining industries.

The remuneration committee assists the board by applying a remuneration strategy that ensures a balance in attracting, motivating, rewarding and retaining human capital through competitive remuneration practices, while creating shareholder value. The committee approved a remuneration policy that gives effect to the remuneration strategy, supports business objectives in the wider operating environment and offers a balanced remuneration mix in line with our goals.

Fixed pay

The board approved cost-to-company salary increases in the corporate office from 1 July 2021 based on the current and forecast consumer price index (CPI), as follows:

PATERSON GRADE	ROLE	F2022 increase	F2021 increase
F-band	• Executives (including executive directors)	5.2% CPI*	3% (CPI)
E-band	• Senior management	6.2% (CPI + 1%)	4% (CPI + 1%)
D-band	• Middle management		
A to C-bands	• General staff	7.2% (CPI + 2%)	5% (CPI + 2%)

* CPI of 5.2% as at May 2021 as published by StatsSA.

At the bargaining-unit level for our managed operations wage agreements for A to C-bands provided for 2020 increases of 6% to 7% depending on the band. Modikwa, Machadodorp Works and Two Rivers C-band bargaining units have multi-year agreements which provided for 2021 increases of 6% to 7% depending on the band. Wage agreements for employees at Two Rivers in the A and B-bands and Cato Ridge Works as well as the Northern Cape mines' labour forces expired on 30 June 2021 and negotiations are underway. Percentage increases for these employees will be reported in 2022.

Employee benefits as a percentage of cost-to-company are the same for all employees, subject to certain employee elections.

Fair and responsible

Taking care of our employees

We aim to maximise our employee value proposition. We are committed to offering a market-related, competitive, fair and at least living wage to all employees. We operate various wellness programmes to support our employees' mental health and wellbeing.

Monitoring our fair and responsible pay

We periodically monitor the pay gap, enhance policies supporting gender mainstreaming in the workplace and develop more robust employment equity plans and targets. Percentage increases granted to our more junior employees generally exceed those granted to management and executives.

Pay-for-performance

We focus on pay-for-performance in designing our variable pay structures, particularly at senior levels. Our in-house performance-enhancing system creates an opportunity to contract on performance goals, review performance, track developmental areas, assess performance and reward appropriately. This process also promotes staff engagement, constructive feedback for development and performance improvement.

Training and developing our talent

We invest in the development and skills of our employees to maximise learning potential through study assistance and bursaries as well as career-development opportunities based on our talent management strategy.



Please see the ESG report for the full remuneration report.

Stakeholder engagement

At the 2020 annual general meeting, the non-binding advisory votes on ARM's remuneration policy and implementation report were each supported by 97.76% of shareholders who voted at the meeting.

Although we were well above the 75% voting threshold for both the remuneration policy and implementation report, we take shareholder feedback seriously and strive to continuously engage with our shareholders. Below, we set out the main areas of feedback on remuneration.

Stakeholder engagement on voting

FEEDBACK	ACTIONS TAKEN/RESPONSE TO FEEDBACK
Short-term incentives – safety modifier: The safety modifier applied to the bonus framework is based on the lost-time injury frequency rate for the divisions/operations and bonuses are payable despite recorded fatalities at the operations.	The company is committed to zero harm. Recorded fatalities have been factored into the safety modifier for the year under review. For future bonuses, after the safety modifier has been determined on the basis of the lost-time injury frequency rate performance for the year, the board will further consider any fatalities for the year and, at its discretion, adjust the modifier taking into account the context of such fatalities.
Short-term incentives – targets: Only high-level performance conditions were provided for the short-term incentive, without disclosing specific targets.	Performance targets are not disclosed; this is viewed as commercially sensitive information for various reasons, including that targets are based on budget and the company is required to adhere to confidentiality restrictions in some contractual agreements.
Short-term incentives – budget: Performance targets measured against budget are not considered transparent.	It is acknowledged that measuring against budget is not transparent, however, given the significant effect of commodity prices and changes in geology on profits, using a growth factor on previous profit is not a viable measure. In addition as discussed above, this information is considered commercially sensitive. The committee monitors the short-term incentive scheme to ensure its implementation is aligned with the strategic objectives of the company.
Long-term incentives – total shareholder return: Limited disclosure about the vesting scale, exact targets governing vesting in the total shareholder return analysis and the weight of total shareholder return as a performance condition.	For awards made prior to December 2018, vesting was possible for performance below the median of the peer group, in terms of the graphs on the following pages. For settlements of performance shares in F2021, no vesting occurred below median. In line with global practice, vesting below median has not been permitted since shareholders adopted the 2018 conditional share plan and relative total shareholder return now only constitutes 25% of total performance conditions.

Managing performance through remuneration continued

Functions and responsibilities

The remuneration committee performs the functions and responsibilities necessary to fulfil its stated purpose.

Amendments to its terms of reference were approved by the board in 2021. The committee's mandate includes:

- Ensuring that, in developing the company's remuneration policies, the mix of fixed and variable remuneration in cash, shares and other elements of remuneration meets ARM's business needs and promotes its strategic objectives, with an appropriate balance between short-term and long-term incentives
- Ensuring that performance targets in all occupational categories in ARM are set and monitored
- Reviewing the results of independent third-party benchmarking surveys of the remuneration packages of executive directors, other senior executives and the group company secretary and governance officer as well as non-executive directors' fees
- Reviewing and recommending specific remuneration packages for executive directors, senior executives and the group company secretary and governance officer to the board for approval, including base salaries
- Recommending to the board cash performance bonuses to be awarded to executive directors, senior executives and the group company secretary and governance officer, taking cognisance of job descriptions and the performance of ARM against budgetary and strategic objectives as approved by the board
- Regularly reviewing and recommending changes to ARM's long-term (share-based) incentive schemes to ensure the continued contribution of executive directors and other senior executives to shareholder value
- Considering and making recommendations to the board on any proposed cash bonus schemes or long-term (share-based) incentive schemes or amendments to any existing schemes for executive directors, senior executives and group company secretary and governance officer
- Recommending to the board grants or awards to be made to executive directors, other senior executives and the group company secretary and governance officer under ARM's long-term share-based incentive schemes
- Satisfying itself on the accuracy of recorded performance measures that govern the vesting of long-term (share-based) incentives
- Ensuring management develops appropriate employee benefit policies for the company.

Focus and adding value in F2021

The scheduled work plan was followed, with a normal cycle of activities and additional duties that included:

- Monitoring the ongoing impact of the pandemic on executive remuneration
- Amendments to the short-term incentive scheme:
 - To mitigate the risk for F2021 from the pandemic, including a cap on the maximum bonus payable
 - To provide that the board will further consider any fatalities during the year and adjust the modifier taking into account the context of such fatalities
- Recommending to the board annual increases in the base salaries of executive directors and other senior executives
- Recommending to the board short-term incentives (ie bonuses) payable to executive directors and other senior executives
- Recommending the board retainer as well as board and committee meeting attendance fees for non-executive directors, for submission to shareholders
- Overseeing preparation of the remuneration implementation report.

Focus areas for F2022

- Recommending corporate bonus parameters for F2022 to the board
- Reviewing climate change targets
- Recommending to the board annual increases in the base salaries of executive directors and other senior executives
- Recommending to the board short-term incentives (ie bonuses) payable to executive directors and senior executives
- Recommending the board retainer as well as board and committee meeting attendance fees for non-executive directors, for submission to shareholders
- Reviewing the provisions for termination of employment in the 2018 conditional share plan and the 2018 cash-settled conditional share plan
- Overseeing preparation of the remuneration implementation report
- Monitoring the ongoing impact of the pandemic on executive remuneration.

Remuneration philosophy and policy: executive remuneration

Principles of executive remuneration

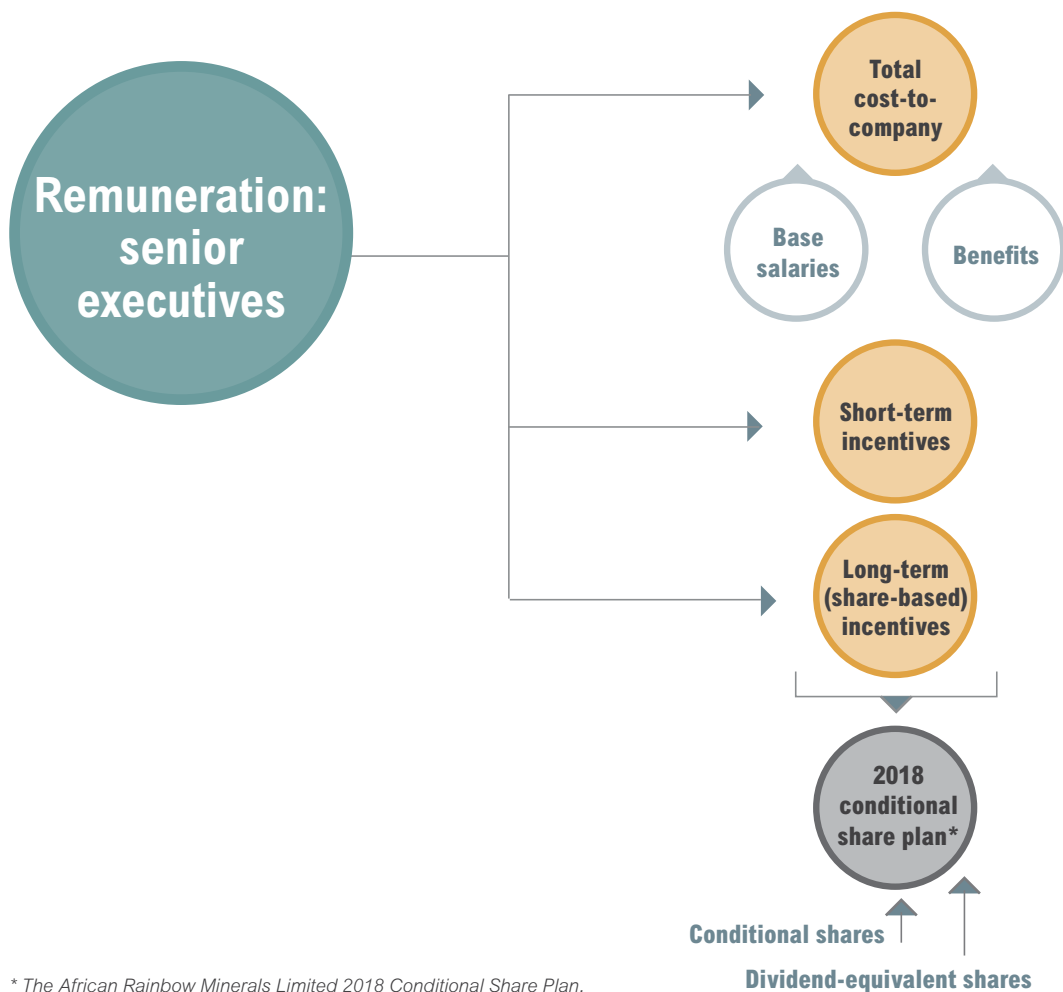
ARM's executive remuneration philosophy aims to attract and retain high-calibre executives and to motivate and reward them for developing and implementing the company's strategy of delivering consistent and sustainable shareholder value. In addition, ARM promotes positive outcomes, an ethical culture and corporate citizenship in decisions on pay.

The remuneration policy conforms to international best practice and is based on the following principles:

- Total cost-to-company of base salary plus benefits
- Competitive, incentive-based rewards compared to other employers in the mining and mineral resources sector, earned by achieving performance targets consistent with shareholder expectations over the short and long term:

- Short-term incentives, ie cash bonuses based on performance measures and targets, and structured to reward effective operational performance
- Long-term (share-based) incentives used to align the long-term interests of management with those of shareholders and responsibly implemented to avoid exposing shareholders to unreasonable or unexpected financial impact.

Elements of total executive remuneration design



* The African Rainbow Minerals Limited 2018 Conditional Share Plan.

Managing performance through remuneration continued

PERFORMANCE MEASUREMENT

For the executive chairman, chief executive officer, finance director, other executive directors and other senior executives (excluding those from ARM Ferrous, ARM Platinum and ARM Coal), financial performance indicators are calculated as:

- 50% – profit from operations
- 50% – unit cost of sales (a weighted scorecard).

For operational senior executives, financial performance indicators are calculated for each division as:

- 25% – ARM overall profit from operations against target
- 25% – ARM overall unit cost of sales against target (a weighted scorecard)
- 25% – divisional profit from operations against target
- 25% – divisional unit cost of sales against target (a weighted scorecard).

The following divisional unit cost of sales will be measured:

- Manganese
- Iron ore (Beeshoek and Khumani separately)
- Ferromanganese (Machadodorp)
- Ferromanganese (Cato Ridge)
- Nickel
- Platinum (Modikwa)
- Platinum (Two Rivers)
- Coal (Goedgevonden)
- Coal (Participative Coal Business).

The combined percentage (achieved by each senior executive) is applied to their CTC to determine the potential cash bonus.

SAFETY MODIFIER

A safety modifier is applied after a cash bonus has been calculated for each senior executive. This is based on the lost-time injury frequency rate for each division or operation. If the safety target is met, participants will receive an additional 5% of their cash bonus.

There is a sliding scale for outperformance or underperformance for each division or operation:

- If participants outperform their targets by 10% or more, they will receive an additional 10% of their cash bonus
- If safety targets are not met, between 1% and 10% would be deducted for each percentage point below target, to a maximum 10% deduction.

After the safety modifier has been determined on the basis of the lost-time injury frequency rate performance for the year, the board will further consider any fatalities for the year and, at its discretion, adjust the modifier taking into account the context of such fatalities.

Short-term incentives

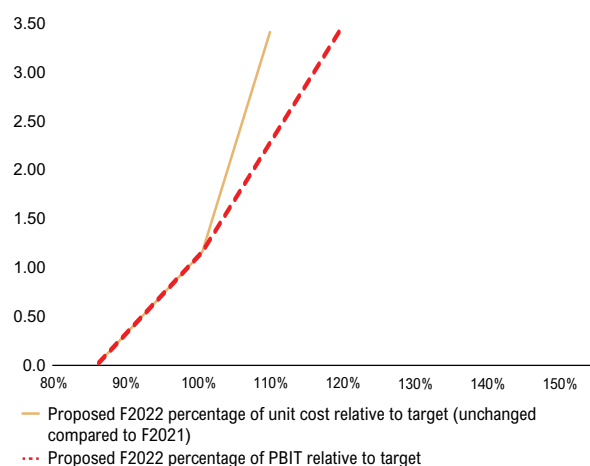
PERFORMANCE TARGETS

The targets for each metric are in line with the board-approved one-year business plan, and measures are reviewed annually to ensure they are appropriate, given the economic climate and performance expectations for the company. As targets are related to the budget and considered commercially sensitive information, they are not disclosed. F2022 PBIT targets relative to F2021 PBIT targets are set out below. F2022 cost target percentages remain unchanged compared to F2021.

%	F2022 PBIT targets*
ARM group	+98%
ARM Ferrous	+92%
ARM Platinum	+110%
ARM Coal	(7%)

* Based on approved F2022 plan relative to F2021 targets. The F2022 plan will be trued up for opening balances.

F2022 BONUS STRUCTURE



PERSONAL PERFORMANCE MODIFIER

A personal performance modifier is applied after a cash bonus has been calculated and the safety modifier applied for each senior executive, except the executive chairman and chief executive officer. If KPIs are met, up to an additional 10% of their bonus may be achieved. If KPIs are not met, up to 30% of their bonus will be forfeited. No personal performance modifiers are applicable to the short-term incentives payable to the executive chairman and the chief executive officer, because their performance is best measured by the performance of the company.



Managing performance through remuneration continued

2018 CONDITIONAL SHARE PLAN (F2022)

PERFORMANCE CONDITIONS AND VESTING

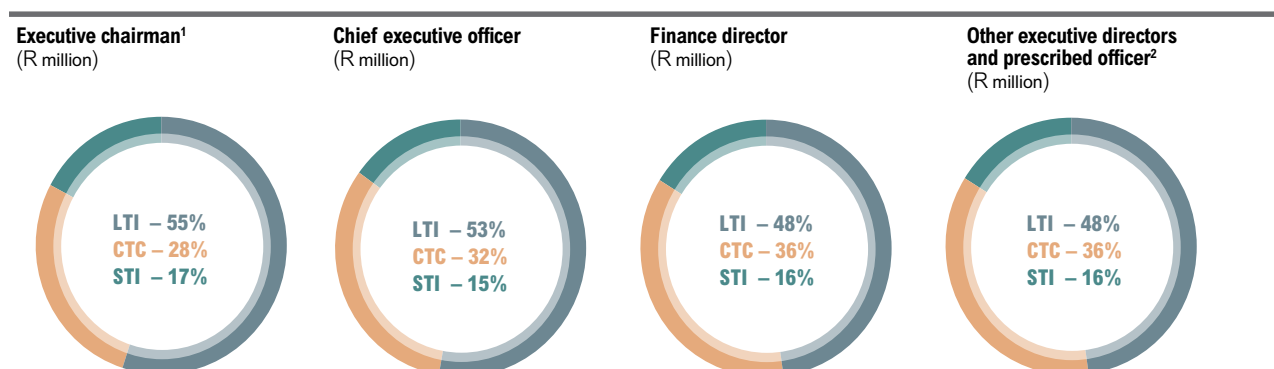
Performance conditions*	Weight	Threshold	Target	Stretch	Climate-change performance targets
Relative total shareholder return (TSR) against a comparator group of 20 mining companies (excluding gold and diamond companies).*	25%	Threshold and target is set at the median of the comparator group (100% vesting)		Upper quartile of the comparator group (200% vesting)	Description of targets: absolute reduction in greenhouse gas emissions through initiatives that reduce: - Emissions from direct production activities (ie scope 1 emissions) and - Emissions from electricity consumption (ie scope 2 emissions) due to emission-reduction initiatives determined at the end of the performance period from 1 July 2021 to 30 June 2024 (F2022 performance period), relative to the saving for F2021. Threshold: maintain the level of savings in F2021, ie maintain initiatives implemented since F2018 and still actively reducing emissions at the beginning of the F2022 performance period (50% vesting). Target: 2% further absolute reductions in aggregate of scope 1 and 2 emission levels at the end of the F2022 performance period against the level of savings at the beginning of the F2022 performance period (100% vesting). Stretch: equal to or greater than 3% further absolute reduction in aggregate of scope 1 and 2 emission levels at the end of the F2022 performance period against the level of savings at the beginning of the F2022 performance period (200% vesting). Measurement: measurement of the above-mentioned performance targets is based on reductions relative to a business as usual baseline. The approach is based on an industry accepted methodology (ie the GHG Protocol Policy and Action Standard).
Average free cash flow return on equity US\$ operating free cash flow/ US\$ equity over the three-year performance period, where operating free cash flow (for the year) is defined as: Net increase/decrease in cash and cash equivalents Plus dividends paid to shareholders and non-controlling interest Plus expansion capital expenditure Plus repayments of debt.	25%	US\$ cost of equity of the company (50% vesting)	US\$ cost of equity of the company +3% (100% vesting)	US\$ cost of equity of the company + 6% (200% vesting)	
Consistent and sustainable cost performance as measured against the mining producer price index (PPI). Compound annual growth rate of the company's unit costs over the three-year performance period compared to mining PPI.	25%	Increase equal to mining PPI (50% vesting)	90% of the increase equal to mining PPI (100% vesting)	80% of the increase equal to mining PPI (200% vesting)	
Sustainable business					
Improved safety performance as measured by the lost-time injury frequency rate (LTIFR)	10%	Improvement of 3% over the period (50% vesting)	Improvement of 4% over the period (100% vesting)	Improvement of 5% over the period (200% vesting)	
Improvement in the B-BBEE score	10%	Maintain current level (50% vesting)	Improvement of 2% (100% vesting)	Improvement of 5% (200% vesting)	
Environmental compliance (see climate-change performance targets alongside)	5%				

* Should an event occur at any point during the performance period which causes the board to consider that a performance condition is no longer appropriate, the board may substitute or vary the performance condition in such a manner that is reasonable in the circumstances and produces a fairer measure of performance that is not materially less or materially more difficult to satisfy.

Total remuneration design: F2022

The remuneration committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration, and between aspects of the package linked to short-term financial performance and those linked to long-term shareholder value creation. It considers each element of the total remuneration package relative to the market as well as the performance of the company and individual executive in determining both quantum and design.

The scenario graphs represent the on-target total remuneration packages of senior executives, where the base salary CTC, bonus (short-term incentives) and long-term incentives are expressed as a percentage of total remuneration. The pay mix for senior executives is reviewed regularly by the committee to ensure it supports the company's remuneration policy and strategic objectives.



CTC = total annual package before incentives (ie cost-to-company).
STI = short-term incentive.

LTI = long-term incentive (excluding any movement in share price).

¹ Total annual package before incentives, excludes non-cash benefits.

² Average remuneration for Messrs HL Mkatshana and A Joubert and Ms J Magagula. For Mr Joubert, the total annual package before incentives excludes non-cash benefits.

Managing performance through remuneration continued

Directors' remuneration: executive directors and prescribed officer

The remuneration of executive directors and the prescribed officer comprises base salaries, benefits, short-term (annual cash) incentives, and long-term (share-based) incentives. Executive directors do not receive directors' fees.

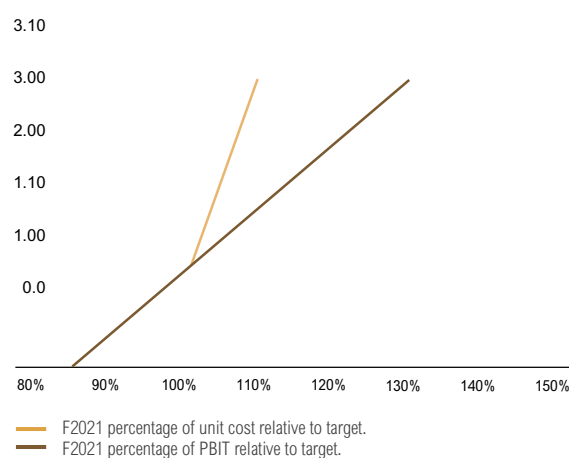
Salary adjustments

The board approved a cost-to-company increase of 3% for senior executives for F2021 (F2020: 6%).

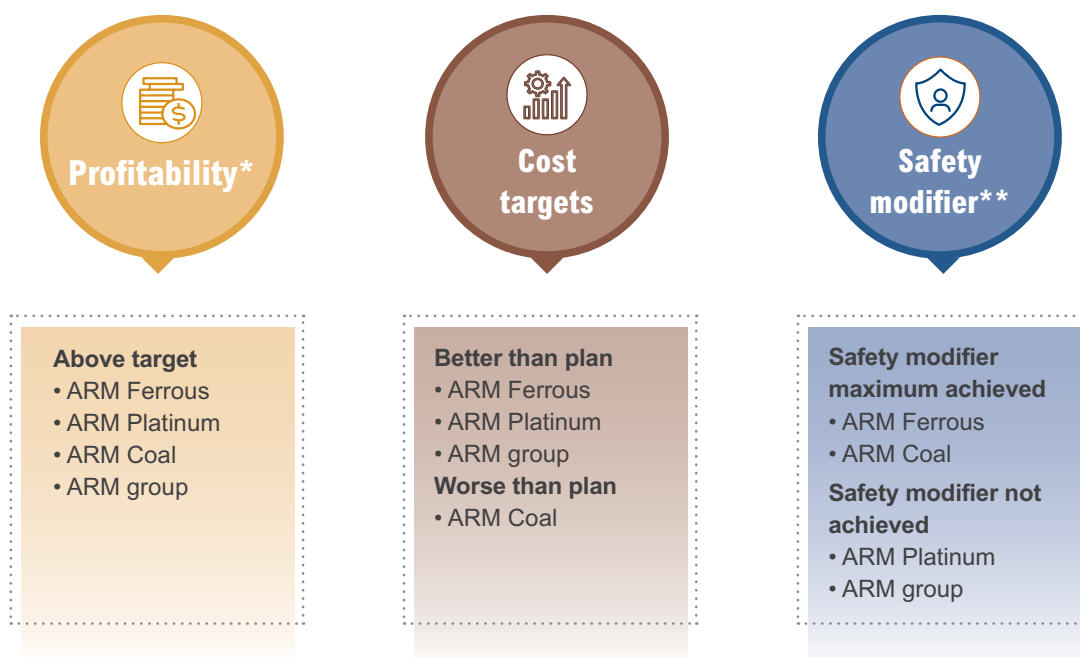
F2021 short-term incentive performance targets

The F2021 targets for profit before interest and taxes (PBIT) and costs are shown alongside.

F2021 BONUS STRUCTURE



Performance against bonus targets for F2021 was as follows:



* Based on profit before interest and taxes.

** Safety modifier adjusted for fatalities.

F2021 actual short-term incentive outcomes

The performance measures and targets based on budget are recommended by the remuneration committee to the board for approval annually. Targets are set by considering current market conditions faced by the company or division. The percentage of basic salary paid as a bonus is based on relative achievement against targets.

F2021 short-term incentive performance scorecard: executive directors

The tables below and overleaf illustrate how senior executives performed against targets for performance measures and the relative weighting of each measure.

Performance measure	Performance level achieved						OTB multiple	Commentary on key performance outcome and link to reward
	Overall weighting	Measure weighting	Below target	Target	Between target and stretch	Stretch and above		
Group performance	100%							
• PBIT from operations		50%				●	3.00	Exceeded stretch (OTB multiple = 3)
• Unit cost of sales (weighted)		50%			●		1.19	Between target and stretch (OTB multiple = 1.19)
Group performance outcome before capping	100%						2.10	50% of OTB multiple from PBIT from operations (3.00) + 50% of OTB multiple from unit cost of sales (1.19)
Group performance outcome (capped at 2.00*)	100%						2.00	Capped at 2.00*
Group safety modifier adjusted for fatalities					●		8.75%	Between target and stretch (8.75%)

OTB = on-target bonus.

* In terms of the board-approved remuneration policy for F2021, the performance multiple before the safety and personal performance modifiers, ie overall OTB multiple, cannot exceed 2.00.

F2021 short-term incentive performance scorecard: prescribed officer

The prescribed officer, the chief executive: ARM Ferrous, was measured against a combination of group and divisional financial targets.

Performance measure	Performance level achieved						OTB multiple	Commentary on key performance outcome and link to reward
	Overall weighting	Measure weighting	Below target	Target	Between target and stretch	Stretch and above		
Group performance	50%							
• PBIT from operations		50%				●	3.00	Exceeded stretch (OTB multiple = 3)
• Unit cost of sales (weighted)		50%			●		1.19	Between target and stretch (OTB multiple = 1.19)
Group performance outcome before capping	50%						2.10	50% of OTB multiple from PBIT from operations (3.00) + 50% of OTB multiple from unit cost of sales (1.19)
Group performance outcome (capped at 2.00*)	50%						2.00	Capped at 2.00*
Divisional performance	50%							
ARM Ferrous								
• PBIT from division		50%				●	3.00	Exceeded stretch (OTB multiple = 3)
ARM Ferrous								
• Unit cost of sales (weighted)		50%			●		1.12	Between target and stretch (OTB multiple = 1.12)
Divisional performance outcome before capping	50%						2.06	50% of OTB multiple from PBIT from operations (3.00) + 50% of OTB multiple from unit cost of sales (1.12)
Divisional performance (capped at 2.00*)	50%						2.00	Capped at 2.00*
Overall performance from group and division	100%						2.00	50% of group + 50% of division
Divisional safety modifier					●		10%	Maximum target achieved (10%)

OTB = on-target bonus.

* In terms of the board-approved remuneration policy for F2021, the performance multiple before the safety and personal performance modifiers, ie overall OTB multiple, cannot exceed 2.00.

Managing performance through remuneration continued

The F2021 remuneration outcomes are summarised below. The total F2021 bonus was payable in cash and no portion was deferred.

F2021 short-term incentive performance outcomes: executive directors and prescribed officer

	F2021 % on-target bonus	F2021 % maximum bonus (before safety and personal performance modifiers)	F2021 performance multiple ⁴	F2021 % bonus (before safety and personal performance modifiers)	F2021 safety modifier adjusted for fatalities ⁵	F2021 % bonus (after safety and before personal performance modifiers)	F2021 personal performance modifier	F2021 % bonus (after safety and personal performance modifiers)	F2021 total annual package before incentives (excluding non-cash benefits) (R000) ⁶	F2021 short-term incentives (cash bonus) (R000)
Executive directors										
Dr PT Motsepe ¹	62	124	2.00	124.00	8.75	134.85		134.85	8 553	11 531
MP Schmidt ²	50	100	2.00	100.00	8.75	108.75		108.75	8 931	9 711
J Magagula ³	45	90	2.00	90.00	8.75	97.88	5.50	103.38	3 479	3 594
TTA Mhlanga ³	45	90	2.00	90.00	8.75	97.88	2.88	100.76	3 752	3 778
HL Mkatshana	45	90	2.00	90.00	8.75	97.88	5.48	103.36	4 794	4 952
Prescribed officer										
A Joubert	45	90	2.00	90.00	10.00	99.00	5.15	104.15	5 479	5 704

OTB = on-target bonus.

^{1,2} The executive chairman and chief executive officer have overall responsibility for the performance of the company, and their personal performance is thus not determined separately from that of the company.

³ Ms Mhlanga was appointed to the board as finance director on 1 October 2020 and the cost-to-company portion of the total annual package is the amount received as an executive director and not for the full financial year.

⁴ In terms of the board-approved remuneration policy for F2021, the performance multiple before the safety and personal performance modifiers, ie overall OTB multiple, cannot exceed 2.00.

⁵ As independently assured by Bowmans.

⁶ Per the single-figure remuneration table on page 174 in the ESG report.

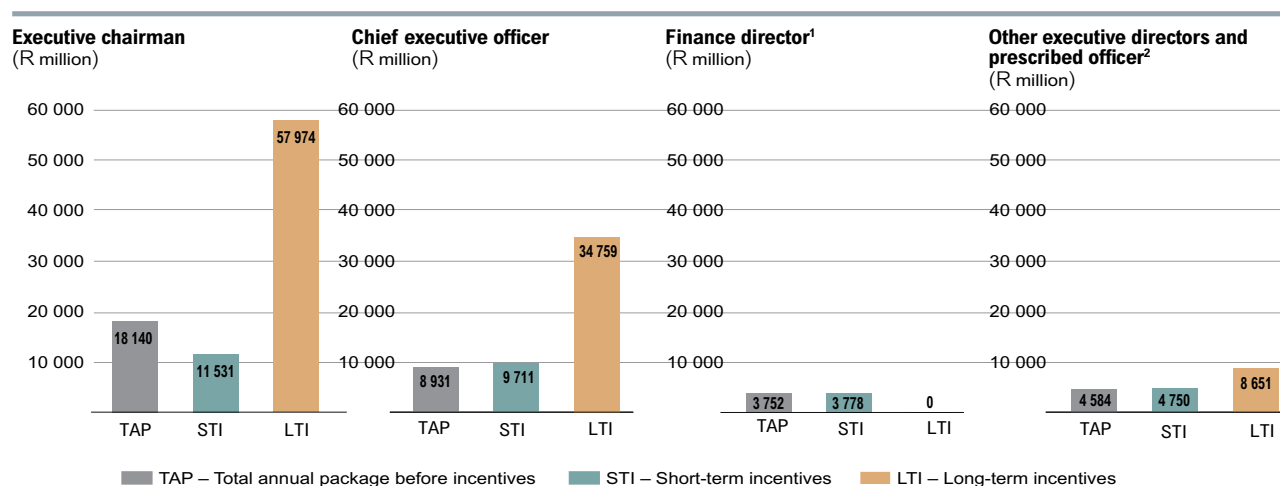


Remuneration outcomes

Remuneration outcomes in 2021 for the executive chairman, chief executive officer, finance director and other executive directors plus the prescribed officer are shown below. Emoluments are detailed in the single-figure remuneration table on page 174 of the ESG report.



Total remuneration outcomes: F2021



¹ Ms TTA Mhlanga was appointed as finance director from 1 October 2020. No LTI is reflected in the total single-figure remuneration for the finance director because the LTI is only reflected three years after the award date when the performance conditions are measured, and not when the award is granted.

² Average remuneration for Messrs HL Mkatshana and A Joubert and Ms J Magagula.



Please see the ESG report for the full remuneration report.